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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

DON'T MISS IT
Small distributor survey

Distributors polish Saturn's MRO program PAGE 20

Atlantic-Tracy wins with in-house quality p. 39

ID EXCLUSIVE:

Family business p. 27

Industrial distributors keep Saturn shining in Spring Hill, Tenn.—p. 20

In the first of a two part series, ID examines family business issues.—p. 27

Atlantic-Tracy's Bob Westwater shows how to improve quality with in-house help.—p. 39

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Vol 90, No.13

INDUSTRIAL DISTRIBUTION

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FEATURES

20 Saturn rings in a new era
In this exclusive report, ID takes you behind the scenes at GM's Saturn plant where unique distributor/purchasing relationships have been formed.

27 Enduring generations of change
What are the key issues affecting family-owned distributorships? ID editors traveled the country to find out. Here is what they learned.

39 Atlantic Tracy image reflects quality
Atlantic-Tracy's become an "error-free zone" without hiring an expensive consultant.

45 Sculpture honors team efforts
This year, and for the fourth time, Engman-Taylor has earned an original sculpture emblematic of excellence in marketing Carborundum Abrasives.

MANAGEMENT

9 Editorial
Focus on "internal customers."

49 Pacesetters
Roland S. Boreham, Jr., Baldor Electric Co.

73 Business Report
Process industries continue production cutbacks.

74 Clifton's View
Charge for value-added services.

DISTRIBUTOR'S UPDATE

5 At Press Time
New bar coding group formed; INVETECH firms win awards; PTDA introduces "visioning" project.

11 News
Court ruling to affect inside salespeople; Norton launches marketing program.

51 Association News

52 Calendar

PROFITABLE IDEAS

57 Computers
Prophet 21 continues to be innovative.

59 Products for Profit
New products you can sell.

69 Sales Aids
The latest catalogs and brochures.

SALES & MISC.

55 Strictly for Sales
How to classify your accounts.

70 Classified Marketplace

72 Business Staff

NEXT MONTH: Part Two of our family business report examines problems of succession.

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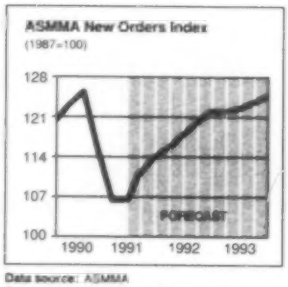
By Susan E. Farris

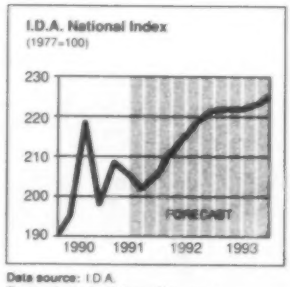
Process industries cut back

But watch for plastics and rubber in 1992.

With demand still diminished in the aftermath of the recession, most process industries are cutting back production for 1991. Process industries as a whole will end the year with production 2.0% lower than in 1990. Only chemicals and petroleum are expected to exceed year-ago production levels by 0.4% and 0.6%, respectively. On the other end of the spectrum: stone, clay and glass materials will experience a 6.4% slump in 1991 compared to 1990, mostly as a result of the collapse of the construction markets during the recession. With weak automobile and appliance markets, expect metals to suffer a 7.0% decrease for 1991. The process industry to watch in 1992: plastic and rubber. The forecast calls for production of plastic and rubber products in 1991 to be 1.6% below 1990 levels. However, with manufacturing already showing signs of recovery, expect plastic and rubber production to rebound the greatest for process industries in 1992 with forecasted growth of 5.5%.



Data source: ASMMA
Forecast source: Cahners Economics

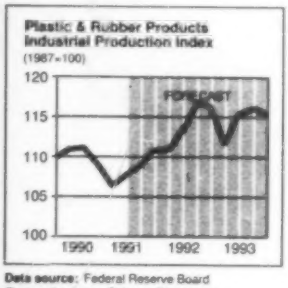


Data source: I.D.A.
Forecast source: Cahners Economics

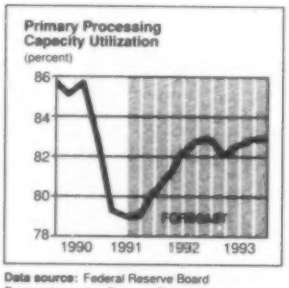
Capacity utilization for primary processing (which includes plastics and rubber) ended the first half of 1991 at 79.8%. Ample capacity will prevent further price surges in these markets and enable manufacturers to cope with increased demand in 1992. Capacity has been moderately but steadily increasing since March, indicating primary processors have already started boosting production levels. By 1992, expect to see capacity utilization reach 82.9% and remain at this level throughout 1993.

With the sluggish pace of the current recovery, the PPI for rubber and plastic products will be stable for the remainder of the year. Prices will rise by just 0.8% in 1991, as there is little supply pressure. The Federal Reserve's policy of containing inflation, coupled with stability in oil prices, should result in only moderate growth in the PPI of rubber and plastic of 2.8% in 1992 and 1.3% in 1993.

Leadtimes are beginning to increase for the second half of the year in conjunction with processors increasing their capacity utilization. Expect rubber and plastic products leadtimes to reach 3.4 weeks by the end of 1992. The Cahners Leadtime Index will end 1991 at 0.4% below year-ago.



Data source: Federal Reserve Board
Forecast source: Cahners Economics



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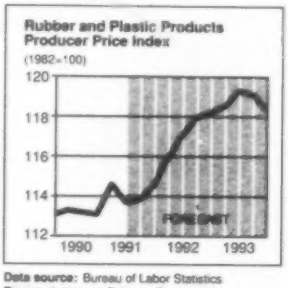
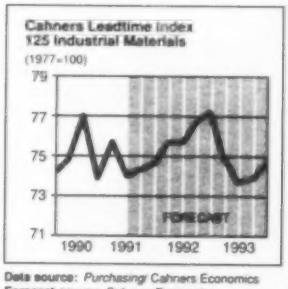


Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics



Data source: *Purchasing*/ Cahners Economics
Forecast source: Cahners Economics

(1977=100)	SALES July 1991	SALES June 1991	SALES July '91 vs July '90 change	RECEIVABLES July 1991 days	INVENTORY June-July 1991 % change
TOTAL	213.9	190.8	+0.5	52.7	−0.2
EAST	181.2	184.0	+1.8	47.4	−1.1
SOUTH	360.3	316.4	+8.9	61.3	+1.7
CENTRAL	152.9	148.8	−7.8	45.1	−0.5
WEST	199.2	198.4	−6.9	39.3	−0.8

SOURCE: Industrial Distribution Assn.